

City Service Area

Aviation Services



Primary Partners

Airport

Mission: *To meet the air transportation needs of the community in a safe, efficient and cost effective manner.*

The Airport's importance to the economy was reinforced in the fall of 2003-2004, during San José's economic study sessions, as well as in the adoption of the City's Economic Development Strategy. The Strategy clarifies the Airport's role in providing an important infrastructure resource to support the local economy. A vital community is dependent on staying competitive. Businesses that locate and remain here need to have both the infrastructure and services that the Airport provides in order to successfully market goods and services. With the demands of an increasingly global economy, it is critical that if San José's vision to be a Global Gateway is to be a reality, Airport infrastructure must be developed to support community demands.

The upcoming five-year cycle continues to present many challenges to the CSA. After September 11, 2001, the CSA predicted a three-year slowdown in passenger traffic which has taken place. However, the CSA did not fully anticipate the length or breadth of the local economic decline. Passenger traffic has remained static at 1998-1999 levels and the activity forecast for 2004-2005 remains conservative. Much like passenger levels, the region's economy appears to have stabilized but signs of economic growth seen both nationally and elsewhere in the State have not yet materialized.

Annual operating costs have been reduced by over \$12 million since October 2001, however demands continue to rise. As a result of growing expenses and stagnant revenues, the CSA faces additional service reductions in this budget. These reductions are presented in an environment where competing demands exist to develop additional air service, ensure customer satisfaction levels are maintained, and fund improvements to Airport security and infrastructure.

The CSA focus continues to be to operate and develop Mineta San José International Airport in a manner that effectively meets the region's air transportation needs, while minimizing the impact of operations on the community; to operate a user friendly, safe and secure facility; and to provide quality customer amenities and infrastructure to support global air service. During implementation of the Airport Master Plan the focus will be on minimizing construction impacts on the community and Airport operations. The CSA also promotes the Airport as an important Silicon Valley access point and provides stimulus to the local economy.

CSA OUTCOMES

- The Airport is the region's first choice for air transportation services
- Travelers have a positive guest experience while using the Airport
- Businesses consider the Airport as a partner in supporting the success of the regional economy
- The Airport is considered to be a "good neighbor" by the community

City Service Area
Aviation Services
BUDGET SUMMARY

Budget at a Glance

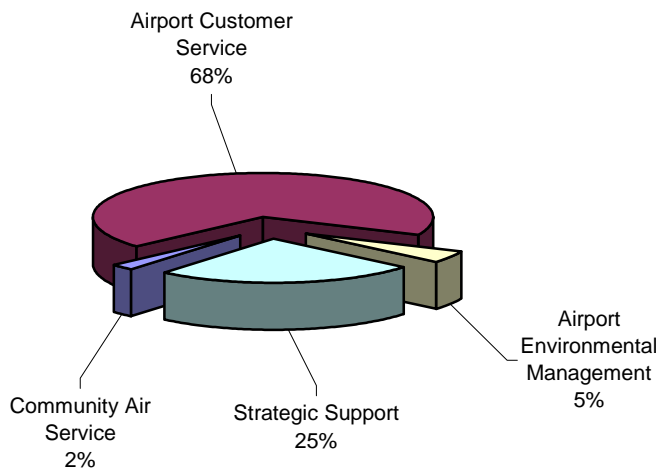
	2003-2004 Adopted	2004-2005 Adopted	% Change
Total CSA Budget (All Funds)	\$71,902,774	\$72,277,294	0.5%
Total Authorized Positions	419.5	396.5	(5.5%)

Budget & Performance Highlights

- The Aviation Services CSA budget for 2004-2005 continues to balance fiscally conservative revenue projections while providing funding for essential services to meet customer demands. The CSA seeks to support regional economic interests through the development of a major Capital Improvement Program (CIP), as well as provide the air service required to support the region's business and leisure travel needs.
- The 2004-2005 Adopted Budget represents the third consecutive budget developed in an environment of increased service challenges coupled with reduced revenues. Projections for Airport activity and related revenues remain conservative; no significant growth is projected for 2004-2005.
- The national focus on security continues to present the need to provide increased infrastructure and services while mitigating the impacts of security mandates to Airport customers. The passage of the Airport Security and Traffic Relief Act (ASTRA) ballot measure in March 2003 and the finding of ASTRA compliance in March 2004 enabled the City to begin implementation of the North Concourse Building. The focus of the capital budget in the near term will be on this project and other security-related improvements. Fiscal constraints necessitate the remaining CIP projects to be demand-driven. As customers and revenues increase, the program can be adjusted to develop the full Airport Master Plan.
- Airport's 2004-2005 forecasted shortfall of \$21.1 million was resolved in the Adopted Budget by a number of means, including: the development and successful implementation of a 2003-2004 Cost Management Plan, which, by year-end, produced savings in excess of \$5 million; restructuring the timing of debt service deposits; deferral of maintenance for existing infrastructure; use of reserves; and the reduction of services and costs totaling \$1.5 million in 2004-2005.
- The Aviation Services Adopted Operating Budget includes an ongoing base budget elimination of 23 vacant positions that had been defunded for over a year. Reductions were primarily associated with services and staffing levels necessary to support the activity levels that occurred pre-September 11, 2001.
- Ongoing non-personal/equipment reductions of \$1.5 million were approved in two funds. The reductions impacted a number of contractual services but were not anticipated to have a significant impact to existing customer service levels. The reductions will impact, however, the Airport's flexibility to respond to unanticipated demands and some non-peak period services will be limited.
- The Aviation Services CSA continues reimbursement for 89 positions in the General Fund providing direct services including Police and Fire. In addition, the Airport funds over 50 positions in the capital program. Over \$6 million in operating and capital overhead revenue is anticipated to be paid to the General Fund for indirect services.

City Service Area
Aviation Services
BUDGET SUMMARY

2004-2005 Total Operations by Core Service



City Service Area Budget Summary

	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Dollars by Core Service					
Airport Customer Service	\$ 42,356,582	\$ 49,428,119	\$ 51,031,010	\$ 49,443,939	0.0%
Airport Environmental Mgmt	3,086,861	3,635,892	3,222,565	3,217,565	(11.5%)
Community Air Service	1,254,274	1,060,123	1,459,195	1,634,195	54.2%
Strategic Support	14,081,519	17,778,640	18,062,556	17,981,595	1.1%
Subtotal	\$ 60,779,236	\$ 71,902,774	\$ 73,775,326	\$ 72,277,294	0.5%
Total	\$ 60,779,236	\$ 71,902,774	\$ 73,775,326	\$ 72,277,294	0.5%
Authorized Positions	403.50	419.50	396.50	396.50	(5.5%)

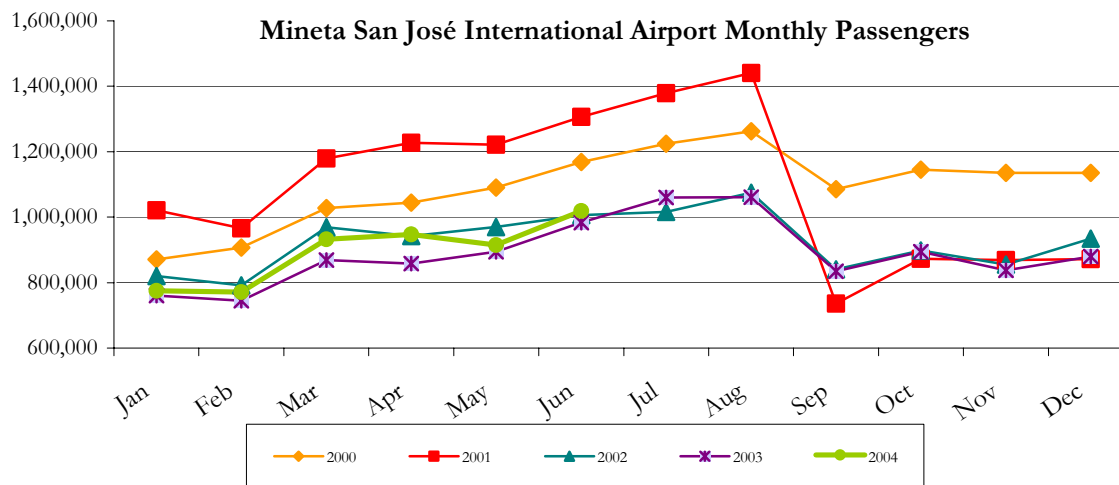
City Service Area

Aviation Services

FIVE-YEAR BUSINESS PLAN

Current Position *How are we doing now?*

- The Airport is a **regional economic hub** and a major asset to the economy of San José and Silicon Valley. The Airport will provide a significant benefit to local construction activity with the development of the Airport Master Plan.
- **Market Share** – Mineta San José International currently serves 19.5% of regional passenger air traffic— down from 22.4% in August 2001. Oakland's market share has grown from 18.7% in August 2001 and is now serving 25.2% of Bay Area passengers.
- Meeting Airport **security** needs continues to be a high priority and presents many ongoing challenges. Passage of the Airport Security and Traffic Relief Act (ASTRA) permits the Airport to improve its existing aged and constrained infrastructure, beginning with the construction of the North Concourse Building, a facility that will allow permanent installation of equipment to meet Federal Aviation Transportation and Security Act (ATSA) mandates.
- **Airport activity** has decreased significantly since September of 2001. Passenger activity is down by 25% (from June 2001 to June 2004), Cargo/Freight combined activity is down by 27% and Total Operations are down by 28%.
- The Aviation Services CSA continues to mitigate **environmental impacts** of Airport activities through community noise abatement, air quality programs, neighborhood outreach and traffic mitigation projects.
- The current environment of reduced activity levels does allow for the **opportunity** to implement major construction projects needed to bring the Airport into the 21st century with less impact on users of the Airport. The decrease in passenger levels may allow for less customer impact, however it also obviously creates significant challenges associated with operating with reduced revenues.



Selected Community Indicators

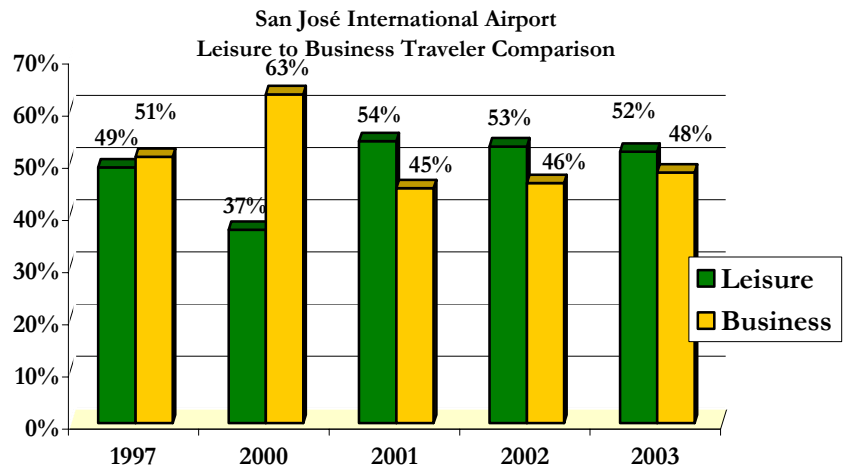
What external conditions influence our strategies?

- Number of annual **Passengers** - 10.7 million (est.) for 2003-2004, a 23% decrease from 2000-2001 level of 13.9M.
- Number of **International Passengers** - 250,000 (est.) for 2003-2004, a 41% decrease from 2000-2001 level of 421,209.
- Number of **Passenger Carrier Operations** - 100,400 (est.) for 2003-2004, a 33% decrease from 2000-2001 level of 150,000.
- Regional **Air Service Market Served** - 19.5% (est.) for 2003-2004, a 2.9% decrease since August 2001.
- Aircraft **Landed Weight** - 8.5 million lbs (est.) for 2003-2004, a 21% decrease since 2000-2001 (10.7 M).
- **Freight Weight** - 28.7 million lbs (est.) for 2003-2004, a 23.7% decrease since 2000-2001 (37.6 M).
- **Domestic Cargo Weight** - 233.8 million lbs for 2003-2004, a 12.9% decrease since 2000-2001 (268.3 M).

Selected Community Indicators (Cont'd.)

Silicon Valley's changing economic structure has significantly impacted the Airport's business over the past two years. The 1990's employment concentration in high-tech created a large dependence on business travel to specific destinations. Just as high-tech business and other business activities have declined, so too have Airport passenger levels dropped off.

In 2000, Business Travelers represented 63% of total passengers; currently, Business Travelers represent only 48% of travelers. The change in traveler composition has brought many challenges to airport service delivery, as well as to non-aviation revenues.



Trends / Issues / Opportunities

What developments require our response?

Airport Trends, Issues and Opportunities have not changed dramatically over the course of the past three years and are anticipated to remain fairly consistent over the course of the next five years—with one notable exception, which is the impact of major construction to existing traffic and services. Effective planning, scheduling and communication, both internally and externally, will be increasingly important requirements for all Airport activities and strategies.

- **The Airport** – serves as a vital component to the City's economic health and is mandated to provide specific services and coordination with various partners, and operates in a highly competitive environment.
- **Airport Infrastructure** – has aged beyond its useful life. With the passage of ASTRA, opportunity now exists to improve travel services to and from San José via the development of the North Concourse.
- **Economic Stimulus** – through implementation of the Master Plan, the Airport will provide economic stimulus at a critical time for the local economy.
- **Passenger Activity** – is projected to remain at current levels in the new terminal. Recovery is dependent on a number of external factors including traveler confidence and the local economy.
- **Long-Term Predictions** – for regional air travel activity remain strong.
- **"Pardon the dust"** – construction activities will impact Airport customers and the community. Communication will be a key component of coping with the changes and challenges ahead.
- **Airport Management** – continues to face challenging operating conditions due to reduced revenues, airline cost constraints and competition, security requirements and initiation of a major capital development program.
- **Airport Marketing** – just as air carriers must develop a market niche to remain competitive, so must the Airport seek to serve the changing needs of Silicon Valley.
- **Ground Transportation** – projects such as the Ground Transportation Center and the one-way loop have been implemented. Further development of Airport-related traffic congestion relief projects will improve traffic in and around the Airport.
- **Community and Customer Involvement** – Airport access, customer amenities, service enhancements, passenger processing, noise mitigation and environmental programs all are of great importance to the success of the Airport.
- **Airline Lease Agreements** – expire in 2007 and with this comes the opportunity for the City to enhance business terms with tenants.

City Service Area

Aviation Services

FIVE-YEAR BUSINESS PLAN

Policy Framework *What policies guide our strategy?*

The Aviation Services CSA's Policy Framework is expansive. Not only is the Airport governed by City processes and policies, State and federal policies direct how services are provided and, most importantly, how funding is obtained and used. Below is a partial list of directives that provide the framework for activities.

- **Airport Security and Traffic Relief Act (ASTRA)** – Ballot Measure A approved in March 2003 and the compliance finding in March 2004. The Act amends the 1999 Airport Traffic Relief Act (ATRA) and provides for the orderly and cost effective development of security improvements and terminal gates while traffic relief road projects are completed.
- **Airport Master Plan** – with the consolidated terminal concept approved by Council in November 2001, provides the policy and scheduling framework to construct a 21st century airport in San José.
- **Airport Neighborhood Services Group (ANSG)** – introduced in 2002, implements ongoing community outreach programs to serve and educate Airport neighbors and customers.
- **Strong Neighborhoods Initiative (SNI)** – has incorporated ANSG programs into their team service delivery model. SNI and ANSG staff collaboratively work to provide outreach and information, as well as coordination of direct service delivery of noise mitigation activities through the Airport's Acoustical Treatment Program.
- **Federal** – policies and mandates are instituted and directed by the Federal Aviation Administration and Transportation Security Administration.
- **Airline Master Lease Agreements** – with passenger airlines dictate the terms and conditions of operating at the Airport and utilizing Airport facilities.
- **Environmental management** – policies are set by a host of regulatory agencies including CalTrans Aeronautics Program, California Air Resources Board, Bay Area Air Quality Management District, Regional Water Quality Control Board, California Department of Fish & Game, Santa Clara Valley Water District and Santa Clara County Department of Environmental Health.

Key Strategic Goals & Objectives *Where are we going?*

The Airport is proud of the many fiscal, security, operational and development accomplishments achieved over the course of the past three years. The focus of outcomes and strategies continues to be to meet existing and new challenges. Among the CSAs many goals and objectives are:

- Invest in and provide timely response to implement security and regulatory compliance programs.
- Ensure successful neighborhood outreach and support programs are planned and implemented.
- Provide regional economic support and stimulus through services, as well as Airport operating and capital expenditures.
- Airport Master Plan and ASTRA compliance and implementation.
- Plan, develop and construct infrastructure and services to meet economic, customer service, security and community needs.
- Implementation of financially sound programs with reasonable rates and charges during development of the Airport Master Plan.

Airport Capital Projects on the Horizon

Airport North Concourse Building

- ❑ Construction Starts – fall 2004.
- ❑ Establishes permanent infrastructure to house baggage screening equipment required by the Transportation Security Administration (TSA) to reduce delays and improve customer service.
- ❑ Represents a significant contribution to the local economy in construction payroll costs over the construction period.
- ❑ Precedes development of a new Central Terminal and South Concourse as part of the Airport Master Plan.

Airport Airfield

- ❑ Reconstruction of Taxiway Y between Taxiways B and L
- ❑ Development of facilities for airline maintenance activities, belly freight and possibly air cargo security screening.
- ❑ Taxiway Z Alignment.

Airport Roads

- ❑ Airport Parkway/Airport Boulevard Improvements.

Noise Abatement

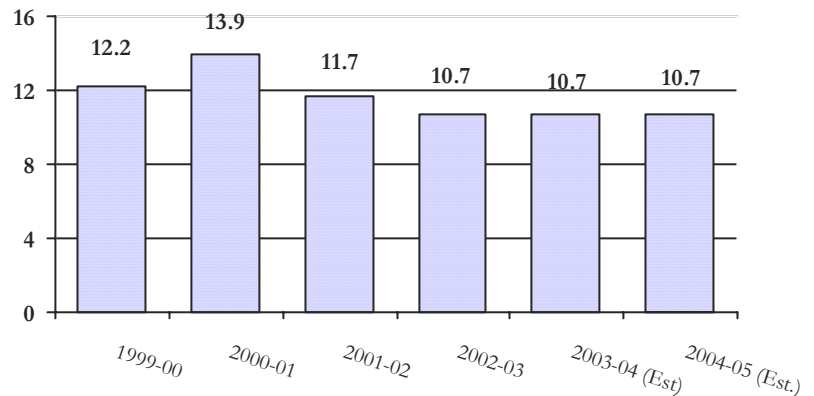
- ❑ Continuation of the treatment program in the Expanded Noise Attenuation area.

Overview

The Aviation Services CSA continues to contend with the fiscal consequences of reduced passenger activity, and at the same time will undertake an aggressive capital program that will define the physical future of the Airport. The CSA's goal is to minimize the disruptions that lower operating budgets and intensive construction activity can cause. It is also the CSA's intention to leverage the Airport's position as a regional business hub to help revitalize the local economy.

It is critical that the Aviation Services CSA Investment Strategy be introduced and understood in the context of recent trends, as well as the many external factors that place demands on the CSA. Since fall of 2001, the Airport has been impacted by additional demands for security enhancements, while the local economic slowdown has reduced revenues that are needed to fund both security and infrastructure improvements. From a high of 13.9 million passengers in 2000-2001, passenger activity dropped to 10.7 million passengers in 2002-2003.

**Airport Passenger Activity
(Millions)**



Since the passage of the Airport Security and Traffic Relief Act (ASTRA) in March 2003, the City has been preparing to implement the first in a series of capital projects that will provide critical security infrastructure, as well as an opportunity to support the local economy and create jobs. The development of the North Concourse Building will provide the necessary space to meet federal security requirements for the permanent installation of explosive detection equipment for an automated in-line baggage screening system. These improvements will also support customer service, provide reliable security processing, and reduce the ongoing costs for temporary replacement facilities. On March 16, 2004, the City Council certified that all the conditions necessary to meet ASTRA requirements had been met and work on the North Concourse was approved to begin.

During the fall of 2003, the CSA projected a 2004-2005 shortfall of \$21.1 million. In order to help solve the gap, several one-time solutions were implemented during 2003-2004. Expenditure savings from 2003-2004 (\$5.2 million), and a shift in debt service timing (\$4.2 million) partially offset the shortfall. In addition, the operating budget included the recognition of Passenger Facility Charge reimbursements of \$1.7 million, reserve savings of \$5.6 million, and revised base budget expenditure and revenue projections provided a further savings of \$2 million. An \$800,000 reduction to capital maintenance funding combined with the operating budget reductions described in this document (\$1.5 million) allowed the City to balance the Aviation Services 2004-2005 Adopted Budget. An additional reduction of \$426,000 was approved in the Airport Customer Facilities and Transportation Fee (Rental Car) Fund. These strategies place demands on staff to be innovative in meeting the needs of customers so that they will continue to choose San José as their airport of first choice. Cost management and control will continue to be a priority for the organization, and is vital so that the CSA can continue to be responsive to its customers, the community and partners.

Significant capital projects beyond the implementation of mandated security requirements and the Acoustical Treatment Program (ACT) will be limited. Capital projects beyond those mandated by the Federal Aviation Transportation and Security Act (ATSA) will be demand driven.

City Service Area
Aviation Services
INVESTMENT STRATEGY

Key Investments & Objectives ***How will we accomplish our goals?***

The Aviation Services CSA recognizes that continued survival and success depends on setting high expectations and clear priorities. Resources are limited and as a result, the following budget priorities have been set:

- Ensuring Security and Regulatory Compliance
- Implementing Neighborhood Outreach and Support
- Planning/Implementation for Development
- Efficient Customer Service Delivery
- Setting Reasonable Airline Rates and Charges
- Valuing Employee Resources

The key to the Airport's success continues to be in the way that we meet the challenges of the economy, industry changes, security directives, local environmental concerns, aging infrastructure, space constraints, and customers' expectations for safe, efficient and convenient low cost travel. The organization depends on fiscally conservative practices, dedicated and well-trained staff, community outreach and support and resourceful problem solving and planning processes.

Key investments for 2004-2005 include:

Outcome 1: The Airport is the Region's First Choice for Air Transportation Services

- Airport **Capital Improvement Program (CIP)** includes funding to continue implementation of mandated security requirements. Projects include construction of the North Concourse Building, airline maintenance and belly freight facilities, air cargo screening implementation and security identification display area improvements.
- **Runway 30 Left Extension** project begun in March 2004 will provide an additional 800 feet of runway and will relocate the Instrument Landing System (ILS). This work and work on several taxiways will improve the effectiveness of airfield resources to support the commercial aircraft requirements of the region. The extension is anticipated to be open in the Fall of 2004.
- During 2004-2005, the Airport has reallocated limited **business development resources** to focus on the development of air service as a way to contribute to the local economy. In an increasingly global business environment, the availability of air service has become an important requirement for business success. International service is particularly important in that it provides the opportunity to facilitate millions in international trade. The Airport intends to identify and pursue those opportunities that offer significant economic and financial benefits to the region.
- Funding of the **Airline Technical Representative Contractor** was transferred to the capital budget as part of the overall program management costs. These services are directly related to the construction program and are thus best incorporated into the Capital budget.

Outcome 2: Travelers Have a Positive Guest Experience While Using the Airport

- The majority of 2003-2004 operating resources were dedicated to Airport **customer services**, specifically security, maintenance and operations. CSA resources were decreased overall by approximately \$1.5 million in operating expenditures and \$800,000 in capital maintenance funding to ensure that a healthy balance between services and revenues exists. Decreases include re-prioritization and reduction of maintenance services, as well as service level reductions in ground transportation and terminal support services. The Base Budget eliminated a net of 23 vacant positions, of which 17 positions support this outcome. No filled positions were eliminated.

Outcome 2: Travelers Have a Positive Guest Experience While Using the Airport (Cont'd.)

- The Airport continues to fund 89 positions that provide direct **administrative and Police and Fire services** to the Airport (over \$14.8 million operating cost, in addition to the \$3.7 million in operating overhead payment that serves as revenue to the General Fund). There were no reductions to non-Airport departmental staff. Over 50 FTE in capital-related positions are also funded by the Airport along with associated overhead.
- **Customer Service** – Airport will continue to seek cost effective and innovative ways to meet customer service needs, including:
 - Introduction of Terminal A - **Burger King** Concession with an upgrade to the Terminal A dining area in advance of the 2004 Christmas Holiday travel period.
 - Use of **San José Mineta Internal Courtesy Carts** to and from the Ground Transportation Center. Although existing service will be reduced, this successful service introduced in the fall of 2003 will be available during peak travel periods.
 - Proactive management of **Shuttle Bus** service hours for both Parking and Rental Car lots to ensure costs are controlled but customer service is not weakened.
 - Continued development of the **terminal support** functions by providing staff devoted to terminal services. Although funding for contractual support staffing will be reduced by half, it is anticipated sufficient staffing will be available to help passengers during weekly peak travel periods and the holidays.
 - Continued efforts to improve **concessions** and seek **partnerships** to offset costs or generate additional revenues.
 - Continued **responsiveness** to changing customer service needs, federal mandates and continuously seeks opportunities to provide improved services and infrastructure for passengers and tenants.

Outcome 3: Businesses Consider the Airport as a Partner in Supporting the Success of the Regional Economy

- Capital infrastructure funding allocated for construction of the North Concourse Building will create jobs through both construction and Airport operations, helping to power the region's economic vitality.

Outcome 4: The Airport is Considered to be a “Good Neighbor” by the Community

- The Capital CIP includes \$45.2 million in funding to treat eligible residences impacted by aircraft noise. The **ACT Program** continues the acoustical treatment of properties in the expanded Category IB Eligibility Area. Construction started on 200 units and contracts were awarded for another 313 units during 2003-2004, with construction planned for completion in 2004-2005. In 2004-2005 approximately 238 units will be awarded consisting primarily of historical properties. The ACT Program also continues its partnership with the Housing Department and SNI staff in a combined effort to provide a higher quality of life and extend our “Good Neighbor” policy in these neighborhoods.
- Airport continues to fund and operate the **Compressed Natural Gas Station (CNG)** opened in 2003. The station is open to the public and as such serves to encourage the communities' use of alternative fuel vehicles.
- The Airport has successfully introduced and will continue a variety of noise monitoring, curfew enforcement programs, and community outreach activities to help the Airport communicate with the **community** and resolve various stakeholder issues that impact Airport neighbors.

City Service Area
Aviation Services
PERFORMANCE BY OUTCOME

Outcome 1: The Airport is the Region's First Choice for Air Transportation Services

Air Service Development

This Aviation Services CSA Outcome strives to make Mineta San José International Airport the first choice for air transportation in the Bay Area and as such is particularly interested in providing the air service necessary to support the Silicon Valley economy, including the cargo services to ship the region's products to the global market. The CSA seeks to support many elements included in the City's 2003 Economic Strategy, which guides policies, investments and partnerships. Achievement of this Outcome is served by providing the facilities and infrastructure to support air service, as well as providing programs to develop and support the appropriate mix of carriers, destinations and flight frequencies.

Operating funding allocated to the development of air service over the course of the past two years had been reduced, to the detriment of service retention and development. The 2004-2005 Adopted Budget reallocated approximately \$400,000 in existing contractual service funding to facilitate both air service retention and development. These funds will be used to increase passenger satisfaction with flight destinations and frequencies. A further \$175,000 was rebudgeted from 2003-2004 to fund airline startup costs, including air service marketing.

Carriers and Destinations

The CSA's focus for 2003-2004 has been on retaining flights to strategic business markets, particularly Tokyo and the existing west coast network. The Airport experienced limited air service enhancements during 2003-2004 such as American Eagle initiating new service to San Luis Obispo and America West adding an additional Las Vegas flight.

By far the most significant announcement was made in March 2004, when JetBlue announced plans to begin service in San José. Daily non-stop service to New York JFK Airport began in June 2004.

The 2003-2004 target for percent of customers able to reach desired destinations from the Airport remained at

68%, 1% higher than the 2003-2004 estimated level, but significantly below the 5-year goal of 80% set in 2000-2001. Economic conditions, as well as facility development, are necessary factors in meeting the five-year goal.

Airport Capital Improvement Program (CIP)

The 2005-2009 Airport CIP funds construction projects in excess of \$1.9 billion and focuses on the implementation of security driven projects in the near term, with other projects programmed to coincide with anticipated passenger demand levels. Schedules for the demand-driven projects are anticipated to coincide with activity/revenue increases but uncertainties associated with security directives, local and national economic conditions, the dynamic airline industry and pending airline lease negotiations will continue to play a part in both scheduling and the approach to these projects. In the near term, the CSA will move forward with those projects that must be constructed in order to comply with the Federal Aviation and Transportation Security Act of 2001 (ATSA), including the North Concourse Building, which will house a permanent, automated in-line explosive detection baggage screening system and security screening space.

City-wide CIP performance measures were developed and approved in 2002-2003. Working in conjunction with the CIP Action Team, projects are tracked to monitor delivery of projects on-time and on-budget, as well as for customer satisfaction.

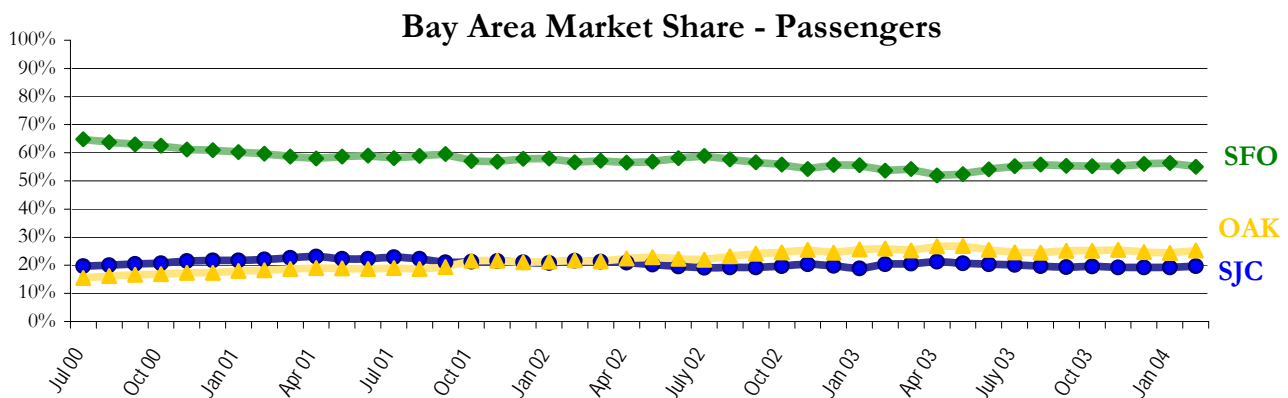


San Jose Mayor Ron Gonzales (left) with JetBlue CEO David Neeleman at the March 10 press conference.

PERFORMANCE BY OUTCOME

Outcome 1: The Airport is the Region's First Choice for Air Transportation Services (Cont'd.)

5 Year Strategic Goals	CSA Performance Measures	2005-2009 5-yr Goal	2003-2004 1-yr Target	2003-2004 Estimate	2004-2005 1-yr Target
A. Community has air services to destinations that they want	1. % customers able to reach desired destinations from the Airport	80%	68%	67%	68%
	2. % of regional air service market share	22%	19.5%	19.5%	20.0%
B. Air service is provided to the community at frequencies that they want	1. % of customers surveyed rating the frequency of air service as good or excellent	72%	70%	75%	75%
C. Air cargo services support the business needs of the community	1. % of regional demand for air cargo services met by SJC	11%	10%	9%	10%
D. Aviation CSA delivers quality CIP projects on-time and on-budget	1. % of CIP projects that are delivered within 2 months of approved baseline schedule	TBD	85%	71% 10/14	85%
	2. % of CIP projects that are completed within the approved baseline budget	TBD	90%	TBD	90%
	3. % of project delivery costs compared to total construction costs for completed projects:				
	less than \$500,000-	TBD	TBD	TBD	31%
	between \$500,000 and \$3M-	TBD	TBD	TBD	23%
	greater than \$3M-	TBD	TBD	TBD	15%
	4. % of operations and maintenance divisions rating new or rehabilitated capital facilities as being functional and sustainable after the first year of commissioning or use	TBD	80%	TBD	80%
	5. % of customers rating new or rehabilitated CIP projects as meeting established goals (4 or better based on a scale of 1-5)				
	Public-City Staff-	TBD	85%	TBD	85%
		TBD	85%	TBD	85%



City Service Area
Aviation Services
PERFORMANCE BY OUTCOME

Outcome 2: Travelers Have a Positive Guest Experience While Using the Airport

Airport Guest Experience and Expectations

Airport customer service demands continue to be dynamic. Passengers expect more, not less, of the Airport, and yet fiscal constraints have led to both reduced staffing levels and significant reductions to non-personal/equipment funding. In order to provide a positive and predictable experience for customers, the CSA has made a concerted effort to ease delays caused by increased security and by adding and improving security checkpoints and developing additional curb and traffic management. The mid-year addition in 2003-2004 of 2 part-time staff to manage both traffic and pedestrian flow provided additional staff during peak service hours. Service improvements had also resulted from the completion of the Central Ground Transportation Center (GTC) located near Terminal A, and the removal of the Terminal A fountain, thereby improving shuttle bus routing.



The Customer Connection

As is evident by responses to the Airport's recent customer survey, the CSA has been successful in keeping customers satisfied. Airport service and facility ratings have benefited, in part, from the reduction in passenger activity. However the Airport has also worked very hard in the past three years to look for low cost alternatives and solutions to the many challenges presented by security, airline industry, and access changes. The Aviation CSA remains committed to working with airlines and other tenants, the media, community organizations and City and Council staff to

ensure that communication channels successfully inform passengers and guests about new and changing expectations.



Communication with customers, tenants, neighbors and the community is very important to the success of the CSA and as such, a host of mechanisms have been developed to keep customers and stakeholders informed. From the newly improved web site to weekly activity e-mails, surveys, meetings, newsletters and the development of a new signage plan, the Airport seeks to inform and educate, as well as receive feedback from its customers. The many changes anticipated with Airport construction, roadwork projects and enhanced security demands means that change will be rapid. Finding cost effective mechanisms to inform customers of programs, expectations and services will be critical to the Airport's success.

Resources

Stagnant revenue levels coupled with increasing costs required additional reductions to again balance the budget. Although none of the reductions severely impacted existing customer services, each reduction had an impact to either the quality of customers' experience or the ability of the Airport to rapidly respond to changing needs. Reductions in this Outcome included the Base Budget elimination of vacant positions and the continuation of reductions in non-personal/equipment funding related to lower levels of passenger activity. Additional reductions approved for 2004-2005 totaled \$1.5 million and included: maintenance and building services

PERFORMANCE BY OUTCOME

Outcome 2: Travelers Have a Positive Guest Experience While Using the Airport (Cont'd.)

reductions, the elimination of curb monitoring contractual staff, reduction of terminal support contractual support and ground transportation services such as the carts introduced to transport customers to and from the GTC (shown below), and an adjustment



to funded rental car shuttle bus hours to reflect existing service levels. The 2003-2004 Capital Budget also included an \$800,000 reduction in general capital infrastructure and pavement maintenance projects, which may impact facility appearance and the speed at which repairs take place during 2004-2005.

Activity

Monthly passenger levels continue to remain steady at approximately 1999 levels. The 2004-2005 budget was

built on the assumption that activity levels will remain stable over the course of the next 12 months.

One-year targets are generally lower than the five-year goals in recognition of the anticipated drop in customer satisfaction due to service level reductions associated with budget reductions and the unavoidable impact of construction on day-to-day operations.

Capital projects will require development of construction zones, alternative routes, new and creative signage, and more than anything, change. Because there has been little Airport facility development since 1990, passengers have become accustomed to moving in traditional patterns when they arrive or depart from the Airport. Changes will be necessary and the changes may spark dissatisfaction during the course of transition. Travel time may be impacted by the construction projects; delays and changes related to security mandates and, most of all, increases to passenger traffic may all influence satisfaction levels.

Finally, the physical constraints of existing terminal facilities, i.e., limited amenities for non-ticketed guests, limited space for security checkpoint access, increased dwell time, etc., if coupled with any significant increase in customers, may reduce existing customer and tenant satisfaction levels.

Outcome 2: Travelers have a positive guest experience while using the Airport

5 Year Strategic Goals	CSA Performance Measures	2005-2009 5-yr Goal	2003-2004 1-yr Target	2003-2004 Estimate	2004-2005 1-yr Target
A. Passengers have a positive experience when using the Airport	1. % of customers rating the Airport amenities as good or excellent, based on availability, quality, and cost	90%	65%	64%	65%
B. Customers experience reasonable and predictable travel	1. % of customers rating travel time from the Airport entrances to the terminals as good or excellent	100%	60%	66%	60%
C. Provide facilities necessary to meet the needs of customers, as well as businesses that operate within the Airport.	1. % of customers rating Airport facilities as good or excellent, based upon availability, condition and cleanliness	90%	76%	85%	85%
	2. % of tenants rating Airport services as good or excellent, based upon facility condition, cleanliness, safety, efficiency and responsiveness	90%	60%	60%	60%

City Service Area
Aviation Services
PERFORMANCE BY OUTCOME

Outcome 3: Businesses Consider the Airport as a Partner in Supporting the Success of the Regional Economy

Partnering with Business

The Aviation Services CSA strives to partner with businesses to help ensure the success of the regional economy. This includes providing air service between strategic markets, as well as providing facilities and services businesses desire. The percent of business passengers at the Airport has fallen from 63% in 2000 to 48% in 2003 due to the decline in the local economy and changing business practices. In addition, lower fares currently offered by airlines have led to an increase in leisure travel. The CSA expects that as the local economy recovers, the percent of business travelers will increase as will the expectations for business centers and services. In the meantime, the CSA is committed to maintaining flights and services necessary to serve business travelers as they return.

Rates and Charges

Another important aspect of partnering with business is maintaining a competitive rate structure. Stiff competition for new air service between the Bay Area's airports makes it particularly important for San José to maintain a positive business environment in order to remain a viable option for airlines. This enhances the likelihood of meeting the air service needs of businesses in the region. The Adopted Budget includes a slight decrease in the landing fee, from \$1.34 to \$1.28 per thousand pounds. The average rental rates per square foot have however, increased from \$145.30 to \$152.36 for Terminal A and from \$73.52 to \$75.73 in Terminal C. Perhaps the most important measure in this Outcome is the cost per enplaned passenger (CPE), which was estimated for 2003-2004 to increase by only 1.5% from \$4.69 to \$4.76 in 2004-2005.

Fixed Based Operators (FBOs)

The Airport has been able to secure amendments and new agreements with the existing FBO's to expand their operations. On September 29, 2003 San José Jet Center (SJJC) celebrated with a ground breaking ceremony to add a 40,000 square foot hangar and approximately 800,000 square feet of additional ramp space. The project is estimated at more than \$6 million and will allow SJJC to accommodate additional larger aircraft that are essential to the business community as well as bring in additional income to the Airport. SJJC's project is expected to be completed in late summer 2004.



At the groundbreaking, pictured, left to right:
Gary Filizetti, Devcon Construction;
Mayor Ron Gonzales;
Larry Russel, San Jose Jet Center;
Dan Ryan, San Jose Jet Center;
Carl Honaker, Airport Commissioner;
Jonathan Harvey, Devcon Construction

AvBase has started construction on a new \$14 million dollar FBO that will replace the old and much smaller Aris and Air One FBOs. The AvBase project will build a new 60,000 square foot hangar that will accommodate business general aviation. The project is expected to be completed in summer 2005.

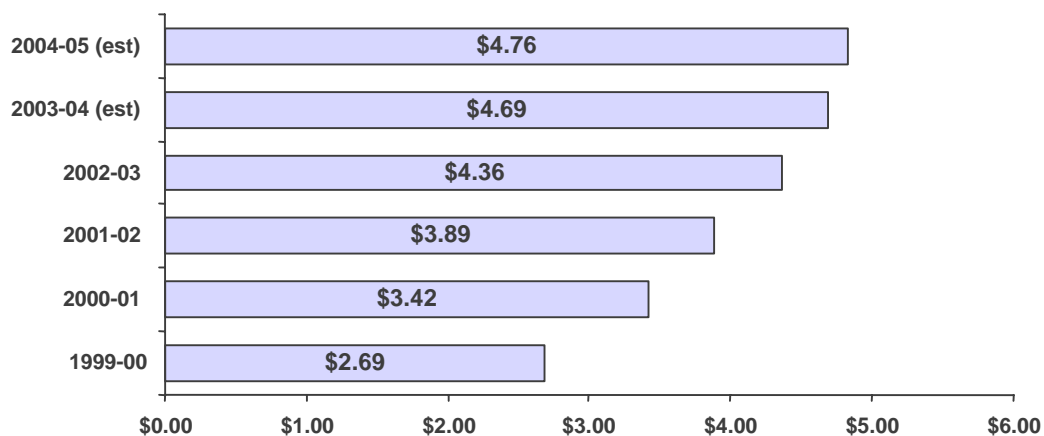
ACM has signed an agreement with the City and is expected to start construction on a new \$12 million FBO on the Airport's West Side to replace ACM's current facility on the East Side of the Airport. The new facility will be much larger including a 60,000 square foot hangar and associated facilities. When completed, the three FBO's will provide more corporate jet space and business amenities as well as revenue to the City and economy of the South Bay.

City Service Area
Aviation Services
PERFORMANCE BY OUTCOME

Outcome 3: Businesses Consider the Airport as a Partner in Supporting the Success of the Regional Economy (Cont'd.)

5 Year Strategic Goals			CSA Performance Measures	2005-2009 5-yr Goal	2003-2004 1-yr Target	2003-2004 Estimate	2004-2005 1-yr Target
A.	Business passengers have a positive experience when using the Airport	1.	% of business passengers rating the Airport services as good or excellent, based upon availability of amenities, quality and costs	90%	55%	60%	60%
B.	Provide facilities necessary to meet the needs of customers, as well as businesses that operate within the Airport	1.	% of business passengers rating Airport services as good or excellent, based upon service availability, facility condition, and cleanliness	90%	65%	86%	85%
		2.	% of business passengers rating rental car services as good or excellent, based upon availability, quick return of rental cars, courtesy of rental car staff and reasonable rental car rates.	90%	58%	67%	65%
C.	Cost to airlines of operating at the Airport is competitive with other airports in the region	1.	Airline cost per enplaned passenger	N/A	\$5.09	\$4.69	\$4.76
D.	Provide adequate domestic air service to meet business passenger needs	1.	% of corporate travel planners and travel agents that feel SJC provides adequate domestic air services to the business passengers	85%	60%	66%	60%
E.	Provide adequate international air service to meet business passengers needs	1.	% of corporate travel planners and travel agents that feel SJC provides adequate international air services to the business passenger	30%	27%	22%	27%

SJC Cost Per Enplaned Passenger



City Service Area

Aviation Services

PERFORMANCE BY OUTCOME

Outcome 4: The Airport is Considered to be a “Good Neighbor” by the Community

Community Programs—ACT

The Airport is committed to being a good neighbor in the community, and throughout 2003-2004 continued to implement programs to minimize the impacts of operations on the community. The largest program to serve the community is the Acoustical Treatment Program (ACT). The Airport CIP includes \$45.2 million in funding for treatment of approximately 1,200 residences located in the 65 decibel Community Noise Equivalent Level (CNEL) noise contour and includes both treatment of properties located in the projected 2006 Noise Exposure Map, as well as the City's updated 2010 contour projection.

Recently the City was able to celebrate the impact of the partnership between the Housing Department and ACT Program via the "showcasing" of a home that has nearly \$100,000 in improvements, including sound insulation provided by the Airport. The program highlights to the community the resources available in the neighborhood through the partnership of Strong Neighborhoods Initiative (SNI), and the Housing and Airport Departments.

Noise Monitoring

Noise monitoring, curfew enforcement, reporting and community outreach continue to be a priority for the Airport. The Airport has successfully introduced and will continue to provide programs such as: neighborhood workshops, a retooled telephone management system, web reporting and a Noise Response Customer Satisfaction Survey. These programs work in conjunction with the Quarterly Airport Noise Monitoring Meetings and detailed complaint resolutions available in the Airport Monthly Noise Report to help the Airport communicate and resolve various stakeholder issues that impact the community.

Airport Neighborhood Service Group — ANSG

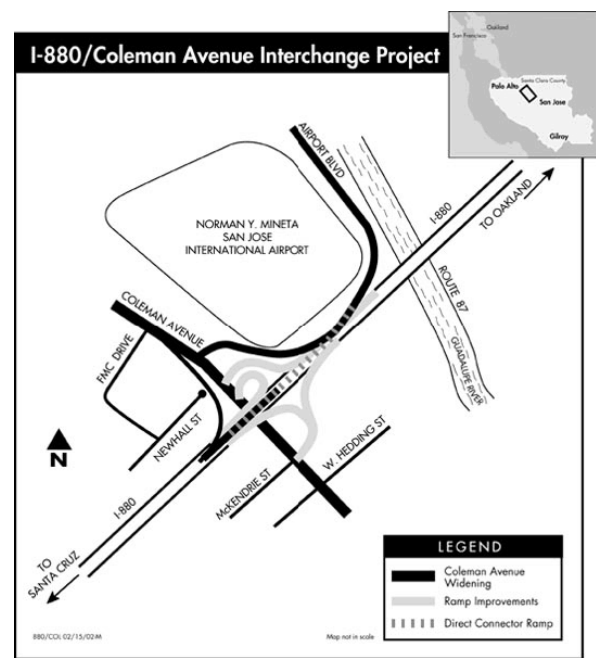
During 2003-2004, the ANSG continued to work in the City's neighborhoods as a partner with the SNI program to minimize Airport impacts and serve as an advocate for residents. The group continues to

facilitate interactive educational community meetings and assist in addressing neighborhood concerns. These efforts have resulted in increased communication and improved service.

Air Quality

The CSA continues efforts to reduce air emissions associated with Airport operations, and seeks to be a leader in the use of alternative fuel vehicles. The fleet of compressed natural gas (CNG) powered shuttle buses introduced in April 2003, along with an on-Airport public use CNG fueling station, provides the City with an alternative fuel source as well as reduced air emissions that will serve the community well in to the future.

Significant roadway construction projects are underway. Route 87 freeway access to the new Airport entrance at Skyport Drive was opened in December and improvements to the Interstate 880/Coleman interchange have recently begun. This project is a coordinated effort of the City, Caltrans and the Valley Transportation Authority. Both projects, once complete, will improve Airport access as well as air quality.



City Service Area
Aviation Services
PERFORMANCE BY OUTCOME

Outcome 4: The Airport is Considered to be a "Good Neighbor" by the Community (Cont'd.)

In addition, a total of \$370.7 million is allocated in the Airport CIP for design and construction of future roadway improvements, including funding for:

- An Airport Boulevard Express Exit Lane, which will provide a bypass of Terminal A and C for traffic exiting the Airport north of Airport Parkway;
- Construction of Double Level Roadway Decks to separate arriving traffic from departing traffic;
- Construction of Ramps, which will connect the Double Level Roadway Deck and grade level at Airport Boulevard;
- South Concourse Roadway; and
- North Concourse Roadway Mitigation which will complete needed improvements resulting from the North Concourse development.

Outcome 4: The Airport is considered to be a "good neighbor" by the community.

5 Year Strategic Goals	CSA Performance Measures	2004-2009 5-yr Goal	2003-2004 1-yr Target	2003-2004 Estimate	2004-2005 1-yr Target
A. Reduce the incompatible land uses around the Airport to zero	1. Acreage of incompatible land uses	0	0.0	1.6	0.0
B. Reduce air emissions and improve traffic conditions	1. Tons of emissions reduced via conversion of Airport Parking Shuttle buses to alternative fuels technologies (CNG)	50	30	N/A	30
C. Strengthen communication with all stakeholders regarding the noise impact of operating the Airport	1. % of noise complaints responded to within one day	100%	100%	97%	100%
	2. % of customers rating the Airport response to noise issues as satisfactory or better	N/A*	100%	100%	100%
D. Establish the Airport as a responsive and active participant in the local community	1. % of community organization leaders who rate the Airport as an established and active participant within the community	75%	90%	61%	90%

* At the direction of the Mayor's March 2003 Budget Message it was determined that consultant expenditures not related to the capital budget be suspended. Information necessary for this performance measure has traditionally been provided by a consultant survey and is not available for 2002-2003.

Service Delivery Framework

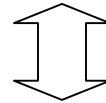
CITY SERVICE AREA
A cross-departmental collection of core services that form one of the City's 7 key "lines of business"

MISSION STATEMENT
Why the CSA exists

Aviation Services CSA

Mission:

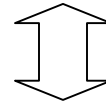
To meet the air transportation needs of the community in a safe, efficient and cost effective manner.



Outcomes:

- The Airport is the region's first choice for air transportation services
- Travelers have a positive guest experience while using the Airport
- Businesses consider the Airport as a partner in supporting the success of the regional economy
- The Airport is considered to be a "good neighbor" by the community

CSA OUTCOMES
The high level results of service delivery sought by the CSA partners



PRIMARY PARTNERS
Departments with Core Services that contribute to achievement of CSA Outcomes

CORE SERVICES
Primary deliverables of the organization

Airport Department

Core Services:

Airport Customer Service

Airport Environmental Management

Community Air Service

CONTRIBUTING PARTNERS
Departments that contribute to the success of the CSA without a direct core service linkaee.

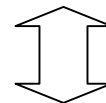
Public Works

Office of Economic Development

Fire Department

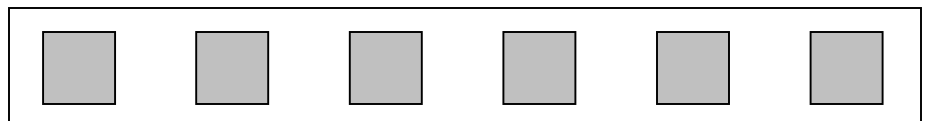
Police Department

Conventions, Arts and Entertainment



OPERATIONAL SERVICES
Elements of Core Services; the "front-line" of service delivery

STRATEGIC SUPPORT
Organization-wide guidance and support to enable direct service delivery



Aviation Services CSA

Core Service: Airport Customer Service *Airport Department*

Core Service Purpose

Ensure that Airport users have a good travel experience by having adequate access to the Airport; convenient and available parking; safe and user-friendly facilities; and a variety of quality choices of travel services while at the Airport.

Key Operational Services:

- ☐ Airport Services
- ☐ Airport Facilities
- ☐ Airport Access

Performance and Resource Overview

The Airport Customer Service Core Service contributes to the Aviation Services CSA's Outcome *Travelers Have a Positive Guest Experience While Using the Airport* and *The Airport is the Region's First Choice for Air Transportation Services*. This is the largest of the Airport's core services, comprising 68.4% of the total 2004-2005 Adopted Operating Budget or \$49.4 million. It is also the broadest and most complex core service in that it encompasses all aspects of the customer experience at the Airport. These include services such as parking availability, the flow of ground traffic, the appearance and cleanliness of Airport facilities, and the length of lines at ticket counters and security checkpoints.

In 2003-2004, the Airport had several successes when it came to achieving a positive and predictable experience for customers. In October 2003, the Airport established a courtesy cart service between the Ground Transportation Center and Terminal A. This service was well received by passengers who may have difficulty walking between the Ground Transportation Center and the terminal. In December 2003, the Airport expanded the checkpoint area in the Terminal C South Concourse, which helped to facilitate passenger security processing during peak travel periods.

Also in 2003-2004, the Airport added funds to reinstate its "Terminal Support Program". Under this program, the Airport retained contractual staff that directed passengers as they passed through airline check-in and security. It was particularly helpful during periods of peak volume when longer lines and higher levels of pedestrian traffic could impact the efficient processing of passengers and reduce customer service.

In the coming years, the Airport will face important customer service challenges as construction begins on the North Concourse and other security-related capital projects. While these infrastructure improvements will significantly enhance the customer experience over the long term, construction activity will likely impact the predictability of travel at the Airport, as pedestrian and vehicle traffic flows are rerouted around project areas. In response, the Airport has funded contracts in the 2005-2009 Adopted Capital Budget to install informational signage and

Aviation Services CSA

Core Service: Airport Customer Service *Airport Department*

Performance and Resource Overview (Cont'd.)

perform minor modifications where construction interferes with passengers or ground traffic. The Airport will also continue to utilize its own public outreach resources to keep Airport tenants, neighbors and passengers informed about upcoming construction activity.

The depressed passenger activity levels make meeting these customer service challenges difficult. In response, a number of reductions to the Airport Operating Budget were approved in 2004-2005 for the third consecutive year. These decreases were carefully considered in light of their service impacts, and the actions approved here were recommended as those staff believed would result in the least possible service reduction felt by Airport passengers and tenants.

In order to bring the 2004-2005 Operating Budget into balance with anticipated revenues, a number of actions were approved. These included several maintenance-related reductions to services such as door and glass repair, as well as a decrease for maintenance-related overtime. The elimination of funding for Airport curb monitors, who were contractual staff that provided information, direction and assistance to passengers as they entered and exited Airport shuttle buses, was also approved. No new service impacts were anticipated as this service reduction was first implemented in 2003. The Airport was also able to retain a new vendor to maintain elevators and escalators at a lower rate resulting in significant savings. These reductions will have minimal service impacts and are not anticipated to significantly affect customers.

There are other reductions, however, that may impact passengers. This budget reduces the level of staffing associated with both the courtesy cart program and the “terminal support program” during non-peak hours. Specifically, the use of a second cart to supplement service during periods of peak passenger volume was eliminated, while the reduction to the terminal support program decreased scheduled service hours by 50%, from 462 hours per week to 231 hours. A reduction to the Valley Transportation Authority (VTA) “Flyer” bus service, which connects the Airport to the Light Rail station and to the Santa Clara Caltrain station was also approved. This reduction correlated to a reduction implemented by the VTA in January 2004.

It is anticipated that reduced operating revenue and increased construction activity will continue to challenge the Airport’s ability to serve passengers, tenants and other customers. However, the service impacts of these challenges have been significantly reduced by the efforts of staff and managers, who have worked diligently to identify adjustments that would allow the Airport to reduce costs while maintaining a high level of service. As a result, the 2004-2005 Adopted Operating Budget should allow the Airport to continue to meet customers’ needs, while sustaining a cost structure that is in balance with anticipated revenues.

The Airport has been able to increase its performance for the percentage of passenger amenities within 10% of off-Airport prices from a 2003-2004 target of 78%, to 85% in 2004-2005. Starting in November, staff developed a new method of compiling concession sales data and implemented a program to track the performance of all Airport food and beverage and retail locations. The data resulting from this program has enabled staff to more efficiently monitor pricing and intercede when tenants deviate from pricing guidelines.

Aviation Services CSA

Core Service: Airport Customer Service *Airport Department*

Performance and Resource Overview (Cont'd.)

The Airport has also raised its target for the percentage of customers rating the Airport's facilities as good or excellent, based on availability, condition, and cleanliness from 76% in 2003-2004 to 85% in 2004-2005. This increase reflects, in part, the hoped for positive impact of capital improvements on the customer experience. In Terminal A, the Airport installed new carpeting and repainted the interior, while in Terminal C a new holdroom area was established for JetBlue's service to New York. As part of its new in-house maintenance program, staff performed an extensive retrofit of the Airport's jet bridges and increased the reliability of the baggage conveyor system. However, as infrastructure ages and is impacted by future construction activity, customer satisfaction may decline over the next few years from levels forecast for 2004-2005. In addition, a rebound of passenger levels and/or continued limited funding could also impact the ability of Airport staff to perform sufficient maintenance required to achieve customer satisfaction.

The target for "accountability on active security clearance badges" remains 100%. The Airport tracks ongoing usage of approximately 3,200 security identification display area (SIDA) access badges. In 2003-2004, it was estimated that only 3% would be unaccounted for throughout the entire year, and these badges were deactivated immediately upon notification. The Airport performance continues to exceed Federal Aviation Administration (FAA) guidelines for accountability (95%) for security badges.

Performance Measure Development

The Activity and Workload Highlight "Total number of hours parking lots are operated per day" was removed. The Airport continues its long-term commitment to provide parking 24 hours a day, and as a result, this item does not provide a meaningful measure of variations in workload. In addition, the Performance Measure "% of customers rating the Airport's facilities as good or excellent, based upon availability, condition, and cleanliness" was inadvertently omitted from the 2003-2004 Adopted Budget and has now been restored.

Aviation Services CSA

Core Service: Airport Customer Service *Airport Department*

Performance and Resource Overview (Cont'd.)

Airport Customer Service Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
 % of time public parking is available	100%	100%	100%	100%
 % of customers rating their travel time from Airport entrances to the airline terminal as good or excellent	NA*	60%	66%	60%
 % of passenger amenities within 10% of off-Airport prices	80%	78%	80%	85%
 % of customers rating the Airport's amenities as good or excellent based upon availability, quality and cost	NA*	65%	64%	65%
 % of customers rating the Airport's facilities as good or excellent, based upon availability, condition, and cleanliness	80%	76%	85%	85%
 % of accountability on active security clearance badges (SIDA)	98%	100%	97%	100%

* At the direction of the Mayor's Proposed Budget Strategy memorandum approved by City Council on February 4, 2003, it was determined that consultant expenditures not related to the capital budget be suspended. Information necessary for this performance indicator has traditionally been provided by a consultant survey which was not available for 2002-2003. The Department was able to obtain the information during 2003-2004.

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Average number of hours per month parking is available	720	720	720	720
Average travel time from Airport entrances to the airline terminal	NA*	<30 min	<15 min	<15 min
Total number of annual Airport passengers	10.7M	10.8M	10.7M	10.7M
Total number of annual operations	200,275	200,830	198,315	198,315

* At the direction of the Mayor's Proposed Budget Strategy memorandum approved by City Council on February 4, 2003, it was determined that consultant expenditures not related to the capital budget be suspended. Information necessary for this performance indicator has traditionally been provided by a consultant survey which was not available for 2002-2003. The Department will be able to obtain the information during 2003-2004.

Aviation Services CSA

Core Service: Airport Customer Service *Airport Department*

Performance and Resource Overview (Cont'd.)

Airport Customer Service Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	\$ 17,068,531	\$ 20,214,142	\$ 21,343,944	\$ 21,313,944	5.4%
Non-Personal/Equipment	25,288,051	29,213,977	29,687,066	28,129,995	(3.7%)
Total	\$ 42,356,582	\$ 49,428,119	\$ 51,031,010	\$ 49,443,939	0.0%
Authorized Positions	279.93	290.93	273.34	273.34	(6.0%)

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds (\$)
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THE AIRPORT IS THE REGION'S FIRST CHOICE FOR AIR TRANSPORTATION SERVICES

1. Airline Technical Representative Contractor (100,000)

This action provides a technical adjustment that will transfer to the Airport Capital Budget funding for the Airline Technical Representative (ATR). The ATR was added in 2001-2002 to coordinate the Airport's capital improvement program with tenant airlines. The ATR serves as a liaison to facilitate Master Plan and security-related projects and general capital improvement projects. The ATR also participates in the design of Airport Master Plan projects and provides continuing review of operational, financial and technical issues. (Ongoing savings: \$100,000)

Performance Results:

No change to service levels will result from this action.

Aviation Services CSA

Core Service: Airport Customer Service *Airport Department*

Budget Changes By Core Service (Cont'd.)

Adopted Core Service Changes	Positions	All Funds (\$)
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TRAVELERS HAVE A POSITIVE GUEST EXPERIENCE WHILE USING THE AIRPORT

2. Curb Monitoring Program (537,600)

This action eliminates funding for contractual services for curb monitors who provide information, directions, and assistance to passengers as they enter and exit Airport shuttle buses. This staff also observes the demand level for rental car shuttle service and is authorized to request additional shuttle buses at peak periods. In an effort to align operating expenditures with revenues, the program was made a part of the Airport cost management program for 2003-2004, and as such, this reduction in service has actually been in place for some time. (Ongoing savings: \$537,600)

Performance Results:

Cycle Time, Customer Satisfaction No new service impacts are anticipated since funding for curb monitoring services was also redirected in 2002-2003 and 2003-2004. These funds were used either to fund a temporary increase in shuttle bus hours in response to construction activity, or were identified as savings as part of the Airport's cost management plan. Redirecting in prior years and now eliminating this funding has impacted the Airport's ability to provide informational services at the terminal curb.

3. Airport Rental Car Shuttle Bus Service (426,023)

This action continues a decrease in funding in the Customer Facilities and Transportation Fee Fund for shuttle bus service hours from 53,000 to 47,000 hours annually, reflecting the ongoing reduction in rental car activity. Since September 2001, rental car activity has decreased significantly. Contracts for rental cars in 2000-2001 totaled 1.18 million and by contrast, 2004-2005 contracts will total approximately 825,000. As a result of the reduction in customers and the introduction of larger (40 foot vs. 30 foot) buses in 2003, service hours have already been reduced. (Ongoing savings: \$426,023)

Performance Results:

Cycle Time, Customer Satisfaction Until such time as passenger and rental car activity increases, no change to service levels will result from this action.

4. Airport Terminal Support Services (222,631)

This action reduces funding for contractual staff that provides information, directions, and assistance to passengers as they navigate through Terminal A during peak travel periods. Staff also maintains pedestrian traffic flow through the terminal by overseeing various lines for security checkpoints and ticketing/baggage check in. The program's schedule of service hours will be reduced from 462 to 231 hours per week, eliminating service during the lowest travel days including Tuesday, Wednesday, Thursday, and the first shift on Sunday. As a result of the reduction, passenger confusion may increase as multiple lines form to check in and pass through security. (Ongoing savings: \$222,631)

Performance Results:

Customer Satisfaction The service impacts of this reduction have been partially offset by the fact that lower activity has decreased the demand for passenger assistance. However, because terminal assistance staff provides direct support to Airport passengers, there will be some level of customer service reduction since fewer hours of assistance will be provided to customers throughout the terminal.

Aviation Services CSA

Core Service: Airport Customer Service *Airport Department*

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds (\$)
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TRAVELERS HAVE A POSITIVE GUEST EXPERIENCE WHILE USING THE AIRPORT (CONT'D.)

5. Airport Infrastructure Maintenance and Repairs (71,143)

This action reduces contractual services for infrastructure maintenance and repair needs related to Airport's facilities. These include funding for door and glass repair services, elevator/escalator maintenance, as well as funding for baggage conveyor, sign and alarm repair. In 2003-2004, the Airport was able to secure a new contractor to maintain the elevators and escalators at a lower rate. Likewise, a reduced level of funding for door/glass and baggage conveyor maintenance and repairs brings funding levels more in line with 2002-2003 and 2003-2004 expenditure levels. (Ongoing savings: \$71,143)

Performance Results:

No change to service levels will result from this action.

6. Airport Ground Transportation Support Services (69,829)

This action reduces funding for contractual staff that utilize electric "golf cart" vehicles to transport passengers between the Airport's Ground Transportation Center and Terminal A, decreasing scheduled service hours. This program was intended to assist passengers who would otherwise have difficulty walking to the terminal. Under the 2003-2004 schedule, the Airport provides one cart in service from 5:30 am to 11:30 pm, seven days per week, which had been supplemented by a second cart during hours of peak passenger volume. Under the new schedule, this second cart will be eliminated from service. (Ongoing savings: \$69,829)

Performance Results:

Cycle Time, Customer Satisfaction Passengers who wish to utilize the Airport's cart service will be required to wait longer for assistance during hours of peak passenger volume. In addition, ground transportation staff will be available for fewer hours to provide personalized directions and advice to passengers, further impacting the customer experience at the Airport.

7. Airport Facilities Supplies and Services (50,000)

This action reduces contractual services and supplies related to the Airport's Facilities Division. Funding for unplanned or minor modification projects, building services equipment (e.g. carpet cleaning machines and floor scrubbers), and contractual window cleaning in the terminals will be reduced or eliminated. Current funding for Airport window cleaning provides for only one cleaning per year, and had been reduced twice previously as part of the Airport's ongoing cost management efforts. This reduction will eliminate the service entirely, and in-house staff will instead perform two cleanings per year from the existing Facilities Division overtime budget. (Ongoing savings: \$50,000)

Performance Results:

Cycle Time The ability of facilities staff to quickly perform minor improvements in response to requests from Airport tenants or other staff may be limited. These projects may need to be moved to the Airport Capital Budget, increasing delays to project completion and making the Airport less responsive to changing demands.

Aviation Services CSA

Core Service: Airport Customer Service *Airport Department*

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Fund (\$)
TRAVELERS HAVE A POSITIVE GUEST EXPERIENCE WHILE USING THE AIRPORT (CONT'D.)		
8. Valley Transportation Authority Flyer Service		(49,845)
<p>This action reduces funding for the Valley Transportation Authority (VTA) Airport Flyer Service contract to correspond to service level cuts already implemented by the VTA. Under an agreement with the Airport the VTA transports passengers from the Metro Light Rail Station to the Airport and the Santa Clara CalTrain Station. In exchange, the Airport funds one half of the total service cost. Because the VTA reduced its service in 2002-2003 and then again in 2003-2004 (from 15 minute headways to 27 minutes on weekdays and 28-30 minutes on weekends), no new service impact is anticipated in 2004-2005. Additionally, the VTA has mitigated potential impacts by limiting its reduced service schedule to a period of 90 minutes per day during the evening, when passenger demand is lowest. (Ongoing savings: \$49,845)</p>		
Performance Results:		
<p>Cycle Time, Customer Satisfaction No change to frequency of current service will result from this action. No immediate impact is anticipated, however if activity at the Airport increases or parking becomes limited due to construction or other reasons, service complaints may increase due to the delays experienced by customers and staff.</p>		
9. Airport Facilities Services		(30,000)
<p>This action decreases overtime funding that covered special unplanned maintenance projects or minor building modifications. These tasks are periodically performed at the request of Airport tenants or staff to improve existing space. (Ongoing savings: \$30,000)</p>		
Performance Results:		
<p>Cycle Time Staff response time to quickly perform minor improvements may be affected. Instead, these projects may need to be moved to the Airport Capital Budget, increasing delays to project completion and making the Airport less responsive to changing demands.</p>		
10. Shuttle Bus Maintenance		(30,000)
<p>This action reduces funding for one small component of the Airport's shuttle bus maintenance agreement, which provides for the repair or addition of equipment not covered in the overall contract. Lower passenger levels and a new (2003) fleet of buses have reduced the necessity for these types of repairs, mitigating any anticipated service impacts. The introduction of the new Compressed Natural Gas (CNG) bus fleet has reduced the need for special additional maintenance and as a result, no impact is anticipated. (Ongoing savings: \$30,000)</p>		
Performance Results:		
<p>Cycle Time, Customer Satisfaction This action may limit or delay the purchase of new equipment items that may help to improve service on Airport shuttle buses such as automated people counters that assess passenger demand along with updates to the automated bus stop announcement system.</p>		
2004-2005 Adopted Core Service Changes Total	0.00	(1,587,071)

Aviation Services CSA

Core Service: Airport Environmental Management *Airport Department*

Core Service Purpose

Manage the environmental impact of the Airport on the community to ensure that it is a “good neighbor” as it meets the air transportation needs of the region.

Key Operational Services:

- ☐ Airport Land and Water Quality
- ☐ Airport Noise Management
- ☐ Airport Air Quality Management

Performance and Resource Overview

The management of environmental impacts at Mineta San José International Airport is an essential component of the Airport’s air transportation mission, and calls on the department to cooperate with neighborhoods and residents to minimize any adverse influences on the environment from Airport operations. Among the programs and services associated with this core service are a clean air program, noise monitoring and mitigation programs, as well as site restoration and future beneficial development. This core service is the focus of the Aviation Services CSA outcomes, including, *The Airport is Considered to be a “Good Neighbor” by the Community* and *The Airport is the Region’s First Choice for Air Transportation Services*.

Environmental management is a basic business requirement of the aviation industry. The Airport is particularly proud of its partnership with major federal, State and local regulatory agencies that have oversight in environmental management programs. These agencies include the Federal Aviation Administration (FAA), CalTrans Aeronautics Program, the California Air Resources Board (CARB), the Bay Area Air Quality Management District (BAAQMD), the Regional Water Quality Control Board (RWQCB), the California Department of Fish & Game, the Santa Clara Valley Water District and the Santa Clara County Department of Environmental Health. The Airport works with these agencies to promote and maintain the overall environmental quality of the Airport in matters related to air emission reductions, protection of the Guadalupe River and sensitive species, as well as the restoration of Airport properties for future beneficial use.

While the FAA is the national governing body for all aviation-related issues such as noise and noise mitigation, the state regulatory body, CalTrans, determines the noise monitoring programs and mitigation measures for the state. Each of these agencies holds significant influence over planning and management and operations, and compliance with their mandates is required to keep the Airport operating.

Aviation Services CSA

Core Service: Airport Environmental Management *Airport Department*

Performance and Resource Overview (Cont'd.)

The Airport and the City have also committed to environmental mitigation measures as a component of Airport Master Plan implementation. Among them are Airport noise monitoring and mitigation, curfew monitoring/enforcement, air pollution control, and limitations on terminal and gate expansion.

Noise monitoring efforts are in place to continually monitor the noise contour areas for any significant changes or impacts. Procedures such as aircraft run-up, departures at the end of the runway, and preferred runway usage have been implemented and monitored. A noise study to validate engine run-up locations has been completed, and a separate noise study in the Rosemary Gardens neighborhood is under development pending the installation of the freeway sound wall.

In December 2002, the Airport launched its Internet flight-tracking system, AirportMonitor™, as a way to keep residents concerned about aircraft noise informed about flight operations at all Bay Area airports. Using this system, residents may view traffic patterns and flight paths (delayed by approximately 10 minutes), and identify specific flights of interest. They may also replay flight events after one hour providing such information as flight number/call sign, arrival destination and departure information, or review up to three months of past flight activity utilizing the archiving utility.

This core service continues the City's commitment to ensure that the Airport is a "good neighbor" as it meets the air transportation needs of the region. The ACT Program was successful in treating three schools with the most recent school, the Center for Employment Training, completed in March 2004. There were approximately 200 dwelling units completed by the end of 2003-2004. An additional 313 dwelling units will be bid and awarded in 2003-2004 with construction to be completed in 2004-2005. Site assessments and designs for an additional 238 dwelling units in the Category IB expanded eligibility area are underway and will be bid and awarded in 2004-2005 with construction to begin in 2004-2005.

As for air emission control, a \$2.7 million Compressed Natural Gas (CNG) fueling station was completed in May 2003 and is now in full operation. This station supports the fueling of 20 new CNG shuttle buses that replaced 17 existing diesel buses in operation at the Airport as well as several CNG vehicles in the Airport fleet. The station is also open for public use.

The Performance Measure and Activity and Workload Highlight summaries for this core service provide information consistent with Quarterly Noise Reports issued as part of the State Variance requirements. As noted, incompatible land use - land that is eligible for treatment - totaled 19.5 acres in 2002-2003. The remaining homes and acreage in the actual measured contour area were targeted to be treated in 2003-2004, resulting in zero acres of incompatible land use (a targeted reduction of 100%) for 2003-2004. Estimated 2003-2004 results of just 1.6 acres of incompatible land use are very close to the target.

Aviation Services CSA

Core Service: Airport Environmental Management *Airport Department*

Performance and Resource Overview (Cont'd.)

To date, the number of environmental noise complaints has decreased slightly from the 2002-2003 level of 1,152 complaints and is anticipated to remain steady in 2004-2005. The cost of Airport environmental programs per passenger is dependent on two factors: the actual cost of the program; and the actual number of passengers. In 2003-2004 passengers were forecasted to remain steady at the 2002-2003 level of 10.7 million annually. The cost of the Airport Environmental Program is expected to be \$0.34 per passenger, up from the 2002-2003 actual cost of \$0.31.

The Airport is on target to meet curfew compliance goals. Curfew compliance is measured by contrasting total estimated operations with curfew intrusions to develop a percentage of compliant operations at the Airport. In 2003-2004, there were an estimated 100 intrusions out of an estimated 198,315 operations, which amounts to 99.95% curfew compliance. This high level of compliance is also expected in 2004-2005.

Performance Measure Development






In order to evaluate and report on customer satisfaction relating to the Airport's response to noise issues, the Department implemented customer satisfaction surveys to measure the quality and timeliness of the Airport response to customer noise complaints. The measure "% of customers rating the Airport response to noise issues as satisfactory or better" was added in the 2003-2004 Adopted Budget with a targeted percentage of 100%. The first survey was recently completed and the results for the current quarter are being tabulated.

As part of this 2004-2005 Adopted Budget, the Performance Measure "% of homes treated in the projected 2010 contour" has been added to reflect the Airport's performance in addressing homes in the approved noise exposure map contour. In addition, the Activity and Workload Highlight "Number of homes remaining to be treated based on projected year 2006 contour" has been dropped and replaced with two new items: "Number of dwellings acoustically treated annually based on the projected 2010 contour" and "Number of homes remaining to be treated based on project year 2010 contour." These new workload measures are also intended to reflect the new approved noise exposure map contour. This highlight was modified to reflect the requirement of the Master Plan Implementation Plan to mitigate interior residential noise exposure from aircraft noise to interior noise levels of the 45dB CNEL, as well as those residential dwellings identified in the Master Plan EIR as being significantly affected by noise as defined in the 2010 contour. Residential dwellings "significantly affected by aircraft noise" are those residences within the 65 dB CNEL (noise impact area).

Aviation Services CSA

Core Service: Airport Environmental Management *Airport Department*

Performance and Resource Overview (Cont'd.)

Airport Environmental Management Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
 % of homes treated in the projected 2010 contour	NEW	NEW	24%	19%
 % reduction in acreage of incompatible land use due to noise issues	19%	100%	92%	100%
 % of community complaints on noise issues responded to within one day	98%	100%	97%	100%
 % of customers rating the Airport response to noise issues as satisfactory or better*	NEW	100%	100%	100%
 % of residents rating the Airport as a good environmental neighbor	NA**	90%	NA***	90%

* This measure will be modified in the next reporting period to be consistent with survey standards: "Percent (%) of customers rating the Airport response to noise issues as good or excellent" with a target percentage of 100%.

** At the direction of the Mayor's Proposed Budget Strategy memorandum approved by City Council on February 4, 2003, it was determined that consultant expenditures not related to the capital budget be suspended. Information necessary for this performance measure had traditionally been provided by a consultant survey which was not available for 2002-2003.

*** Due to budget constraints, the Airport focused its efforts on the neighbors who are most impacted by Airport operations by conducting a smaller survey of Airport neighbors in 2003. The sample survey was not comparable to the previous year's survey; however, the results showed that more than half the local neighbors rated the Airport as a good environmental neighbor.

Aviation Services CSA

Core Service: Airport Environmental Management *Airport Department*

Performance and Resource Overview (Cont'd.)

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Acres of incompatible land use due to noise issues	19.5	0	1.6	0
Number of dwellings acoustically treated annually	77	345	NA	13**
Number of environmental noise complaints	1,152	1,200	1,110	1,100
Cost of Airport Environmental Programs per passenger	\$0.31	\$0.32	\$0.34	\$0.34
Number of dwellings in noise impacted areas***	171	0	13	0
Number of dwellings acoustically treated annually based on the projected 2010 contour	NEW	NEW	313	238
Number of homes remaining to be treated based on projected year 2010 contour	NEW	NEW	771	533
Compliant operations as a percentage of total Airport operations	NEW	99.95%	99.95%	99.95%
Total number of annual operations	200,275	200,830	198,315	198,315
Total number of non-compliant curfew intrusions	NEW	100	70	100

* This Activity & Workload Highlight will be modified in the next reporting period to reflect dwellings only treated within the noise impact area.

** This reflects the number of dwellings forecasted to be treated in the noise impact area.

*** Figures in the 2002-2003 Actual and 2003-2004 Estimated columns represent the number of dwellings identified in the Projected 2006 Measured Noise Contour Map prepared in 2001. The 2003-2004 Estimated represents the completion of those dwellings identified for noise abatement. The new projected 2010 noise contour targets and measures are included in separate workload measures that follow.

Airport Environmental Management Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	\$ 2,502,409	\$ 2,679,391	\$ 2,285,071	\$ 2,285,071	(14.7%)
Non-Personal/Equipment	584,452	956,501	937,494	932,494	(2.5%)
Total	\$ 3,086,861	\$ 3,635,892	\$ 3,222,565	\$ 3,217,565	(11.5%)
Authorized Positions	29.05	30.05	24.00	24.00	(20.1%)

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Aviation Services CSA

Core Service: Airport Environmental Management *Airport Department*

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds (\$)
THE AIRPORT IS THE REGION'S FIRST CHOICE FOR AIR TRANSPORTATION SERVICES		
1. Airport Infrastructure Maintenance and Repairs		(5,000)
This action reduces funding for asbestos testing services at the Airport, and is part of several contractual service reductions that extend across core services and affect infrastructure maintenance and repair. (Ongoing savings: \$5,000)		
Performance Results:		
Cycle Time The Airport does not anticipate any impact from the elimination of asbestos testing services associated with "spot abatement" or any other asbestos work currently planned, as funding for particular remodeling areas is also available in the Airport Capital Budget.		
2004-2005 Adopted Core Service Changes Total	0.00	(5,000)

Aviation Services CSA

Core Service: Community Air Service *Airport Department*

Core Service Purpose

Provide air services necessary to meet identified business, leisure and economic development needs of the region.

Key Operational Services:

- ☐ Air Service Needs
- ☐ Airport Facility and Infrastructure Planning

Performance and Resource Overview

The Community Air Service Core Service assists in achieving two of the Aviation Services CSA's stated outcomes: *The Airport is the Region's First Choice for Air Transportation Services*, and *Businesses Consider the Airport as a Partner in Supporting the Success of the Regional Economy*. The Airport seeks to achieve these outcomes by providing necessary facilities and infrastructure and the level of air service its passengers expect, including a diverse carrier, destination and frequency mix. The Airport is also committed to having the air cargo services necessary to tie the Silicon Valley region to key business markets, both domestic and worldwide.

The Mineta San José International Airport (SJC) will continue to develop infrastructure necessary to meet the air service needs of the region in 2004-2005. In March 2004, the City Council certified that the traffic relief project requirements of the Airport Security and Traffic Relief Act (ASTRA) have been met. This certification has enabled the Airport to move forward with construction of the North Concourse Building. When this facility becomes fully operational, it will provide space for mandated security and in-line baggage screening equipment, as well as improve the overall customer experience by housing additional ticket counters, gates/holdrooms, security checkpoints, retail shops and concessions.

Runway 30L will remain closed for approximately six months that began in May 2004 to extend the runway by approximately 800 feet, bringing it to its full Master Plan approved length of 11,000 feet. The project will improve the overall safety and efficiency of the airfield by extending the runway, expanding one taxiway and connecting the runway with two other taxiways.

Airport activity remains depressed, at levels below those of September 2001, due in part to the sluggish economy in Silicon Valley. Current flight schedules at the Airport reflect approximately 85% of the scheduled flights and 75% of the available seats as compared to the levels of service prior to September 2001. Several important destinations were lost in the aftermath of September 11th and have not been reinstated, including long-haul destinations such as Paris, Taipei, Toronto, Miami and Cincinnati. However, following JetBlue Airways' announcement in March 2004 to begin serving SJC in June 2004, one daily flight to New York-JFK has been added.

Aviation Services CSA

Core Service: Community Air Service *Airport Department*

Performance and Resource Overview (Cont'd.)

Despite the reduction in flights, a recent survey indicates that Airport customers remain fairly satisfied with air service at SJC. Survey results showed overall ratings of 75% of customers rating frequency as good or excellent and 67% of customers satisfied with being able to reach their desired destination. The percent of customers who rate their ability to reach desired domestic destinations as good or excellent increased to 77% (up 2% from March 2002), while those rating the frequency of domestic flights as good or excellent was 88% (up 4% from March 2002). Satisfaction with the Airport's international air service continues to be less positive. The survey shows that only 52% of customers rate the ability to reach international destinations from SJC as good or excellent (up 4% from March 2002), while only 49% rate international flight frequency as good or excellent (up 1% from March 2002). For 2004-2005, the focus of the air service development program will be retaining current flights, regaining flights lost over the last several years and obtaining flights important to the Silicon Valley economy, particularly international service.





Passenger forecasts for 2004-2005 remain flat, again reflecting the continued sluggishness of the Silicon Valley economy. The Airport's cost per enplaned passenger (CPE), however, continues to be very competitive with the other Bay Area airports, providing a favorable climate for airlines to conduct business. CPE at SJC is estimated to be \$4.76 in 2004-2005. The most currently available CPE figures at Oakland and San Francisco are \$4.81 and \$15.71 respectively. The Airport is sensitive to the continuing difficulties faced by the airline industry, and will continue to partner with airlines to maintain reasonable rates and charges. An important part of this process is ensuring that capital development is demand-driven, which means that the level of passenger activity helps to determine the pace of the planned development at the Airport.

The 2004-2005 Adopted Operating Budget reallocated funds to the Community Air Service Core Service, to reflect the Airport's ongoing commitment to air service retention and development. This renewed focus was intended to develop the Airport as a revenue generator, and to assist the Silicon Valley region, in general, as a driver of the local economy. Specifically, a comprehensive air service program represents one part of the area's overall economic development strategy, by facilitating contacts between the Valley and other technology centers for mutual economic benefit.

Aviation Services CSA

Core Service: Community Air Service *Airport Department*

Performance and Resource Overview (Cont'd.)

Community Air Service Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
 Air Service Market share	19.9%	19.5%	19.5%	20.0%
 Airline cost per enplaned passenger*	\$4.36	\$5.09	\$4.69	\$4.76
 % of customers rating the frequency of air service good or excellent	NA**	70%	75%	75%
 % of customers able to reach desired destinations from the Airport	NA**	68%	67%	68%

* Enplaned passengers are those passengers boarding an aircraft in scheduled service, including originating, stop-over or connecting service.

** At the direction of the Mayor's Proposed Budget Strategy memorandum approved by City Council on February 4, 2003, it was determined that consultant expenditures not related to the capital budget be suspended. Information necessary for this performance indicator has traditionally been provided by a consultant survey which was not available for 2002-2003. The Department was able to obtain the information during 2003-2004.

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Total number of annual Airport passengers	10.7M	10.8M	10.7M	10.7M
Total number of annual operations	200,275	200,830	198,315	198,315
Total number of annual enplanements	5.4M	5.4M	5.4M	5.4M
Total airline cost	\$23.5M	\$27.6M	\$25.2M	\$25.5M
Total regional air service market	53.9M	56.1M	53.6M	53.6M

Community Air Service Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	\$ 614,497	\$ 629,110	\$ 646,261	\$ 646,261	2.7%
Non-Personal/Equipment	639,777	431,013	812,934	987,934	129.2%
Total	\$ 1,254,274	\$ 1,060,123	\$ 1,459,195	\$ 1,634,195	54.2%
Authorized Positions	7.22	7.22	6.68	6.68	(7.5%)

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Aviation Services CSA

Core Service: Community Air Service *Airport Department*

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds (\$)
THE AIRPORT IS THE REGION'S FIRST CHOICE FOR AIR TRANSPORTATION SERVICES		
1. Rebudget: Air Service Development/Marketing Campaign		175,000
The rebudget of unexpended funds will enable the Airport to support the development of air service and marketing campaigns for new and existing air carriers during 2004-2005. (Ongoing cost: \$0)		
Performance Results: N/A (Final Budget Modification)		
2004-2005 Adopted Core Service Changes Total	0.00	175,000

Aviation Services CSA

Strategic Support *Airport Department*

Strategic Support represents those services provided within the Department that support and guide the provision of Airport core services. While there are both resources and performance measures associated with Strategic Support at the operational level, these are not presented separately in this document. Performance Measures are shown only at the core service level. Strategic Support services are designed to improve core service delivery.

- | | |
|---|---|
| <input type="checkbox"/> Communications | <input type="checkbox"/> Airport Training |
| <input type="checkbox"/> Information Technology | <input type="checkbox"/> Financial Management |
| <input type="checkbox"/> Human Resources | |

Performance and Resource Overview

Strategic support is considered the foundation for all Airport core services. Each Strategic Support function plays a critical role in meeting the Aviation Services CSA's four desired outcomes and the Airport Department's three core services. Like those services, Strategic Support has also been impacted by the reduction in Airport activity and the resulting decrease in revenues.

Where possible, managers have sought to identify organizational efficiencies that would allow the Airport to accomplish "more with less" and maintain a high level of service. In particular, staff was able to take advantage of low market rents to renegotiate the lease on the Airport's current administrative office space. As a result, the Airport reduced its lease cost while expanding its overall leased space to accommodate new staff that will implement the Airport Master Plan. Staff was also able to reduce annual insurance costs significantly, through the extension of policy dates (15 months versus 12 months), inclusion of shuttle bus liability coverage in the umbrella liability coverage, rate stabilization, and historic low auto claims.

Where necessary, other reductions were approved that will impact Airport training services, as well as facilities maintenance and repair. These reductions have been limited and were chosen based on staff evaluations of which reductions would have the least impact on Airport services while maintaining critical programs and responsibilities.

Aviation Services CSA

Strategic Support *Airport Department*

Performance and Resource Overview (Cont'd.)

Strategic Support Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Strategic Support Budget *					
Personal Services	\$ 6,673,773	\$ 8,530,636	\$ 9,342,879	\$ 9,342,879	9.5%
Non-Personal/Equipment	7,407,746	9,248,004	8,719,677	8,638,716	(6.6%)
Total	\$ 14,081,519	\$ 17,778,640	\$ 18,062,556	\$ 17,981,595	1.1%
 Authorized Positions	 87.30	 91.30	 92.48	 92.48	 1.3%

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Strategic Support Budget Changes

Adopted Strategic Support Changes	Positions	All Funds (\$)
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THE AIRPORT IS THE REGION'S FIRST CHOICE FOR AIR TRANSPORTATION SERVICES

1. Vehicle Maintenance Funding Reduction (26,000)

This action reduces vehicle maintenance and operations costs as a result of eliminating two Equipment Mechanic Assistant positions in the General Services Department and decreasing contractual services funding. The impact of this reduction is a cost savings of \$492,788 city-wide, of which \$394,230 is generated in the General Fund. The cost savings in the Airport Department, Strategic Support is \$26,000. (Ongoing savings: \$26,000)

Performance Results:

Cycle Time Cycle times for preventative maintenance and minor repairs may increase due to the elimination of staff and reduction in the ability to use contractual services for peak workload periods.

2. Cellular Telephone Service Cost Efficiencies (14,661)

This action reduces the cost of cellular telephone service by 15% as a result of purchasing cellular telephone services and equipment under the Western States Consortium Agreement (WSCA) and optimizing rate plans to avoid overage charges. The impact of this reduction is a cost savings of \$254,372 city-wide, of which \$204,296 is generated in the General Fund. The cost savings in the Airport Department, Strategic Support, is \$14,661. (Ongoing savings: \$14,661)

Performance Results:

No changes to current service levels are anticipated.

Aviation Services CSA

Strategic Support

Airport Department

Strategic Support Budget Changes (Cont'd.)

Adopted Strategic Support Changes	Positions	All Funds (\$)
TRAVELERS HAVE A POSITIVE GUEST EXPERIENCE WHILE USING THE AIRPORT		
3. Airport Training Services		(24,000)
This action reduces contractual and training services funding for a number of Airport training programs, including e-learning, just-in-time staff training and media relations instruction. (Ongoing savings: \$24,000)		
Performance Results:		
Quality The availability of training programs unique to the needs of the Airport will be decreased. Also, the proportion of training service requests that are completed within the period required and the proportion of managers and staff who rate themselves as "satisfied" or "very satisfied" with Airport training programs may affect performance measures the department tracks.		
4. Airport Uniform Services and Infrastructure Maintenance and Repairs		(16,300)
This action reduces funding for uniform laundry services, as well as maintenance services for the Airport's computerized maintenance management system (CMMS). The reduction in funding is part of several contractual service reductions that extend across several core services and affect infrastructure maintenance and repairs at Airport facilities. (Ongoing savings: \$16,300)		
Performance Results:		
Cycle Time There should not be any significant impacts to service. The Airport's CMMS system is scheduled for replacement in 2004-2005, and it is anticipated that staff will be able to accommodate uniform funding needs at the reduced level due in part to reduced staffing levels.		
2004-2005 Adopted Strategic Support Changes Total		(80,961)